

FDIC State Profile

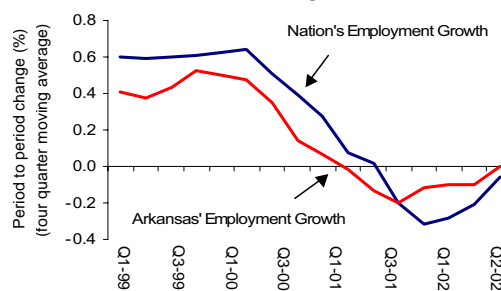
SPRING 2003

Arkansas

Employment Conditions in Arkansas Remain Weak

- Since employment peaked in October 2000, Arkansas has lost 11,000 jobs through the end of 2002. However, during 2002, employment levels increased by several thousand jobs, suggesting employment conditions may have stabilized (see **Chart 1**). Employment grew at least slightly in all major sectors except for manufacturing during 2002. The majority of new jobs were in construction, transportation and utilities, and state and local government.
- As with much of the Midsouth, Arkansas continues to suffer from weakness in its manufacturing sector. The manufacturing sector lost over 13,000 jobs during 2001, and an additional 12,000 jobs in 2002. Structural and cyclical weaknesses have resulted in job losses, particularly in the sub-sectors of industrial machinery and equipment, textiles and apparel, lumber and wood products, and paper and allied products. In contrast, the food products area has maintained nearly constant employment levels for almost a decade.
- The state's retail sector continues to thrive, especially Wal-Mart. As a result, economic conditions in the giant retailer's headquarters community, **Fayetteville-Springdale-Rogers**, have been less affected by statewide economic contraction. The Fayetteville economy continues to outperform other metro areas in Arkansas with an unemployment rate well below the state average in fourth quarter 2002 (see **Table 1**).
- The state's weak economic conditions held income growth to its lowest level in more than a decade. During 2001,¹ personal income increased by 4.5 percent, the lowest annual increase, since a 3.8 percent gain in 1987. The state's per capita income of \$22,887 ranked 48th in the nation in 2001, nearly 25 percent below the U.S. average of \$30,472. Rising debt levels, slowing income growth, and job losses contributed to a rise in personal bankruptcy filings (see **Chart 2**). The gap between the per capita bankruptcy filing rate in the state and the nation widened considerably in the last two years. In number of bankruptcy filings, Arkansas ranked 4th in the nation in 2002.

Chart 1: Arkansas Labor Markets Could be Stabilizing



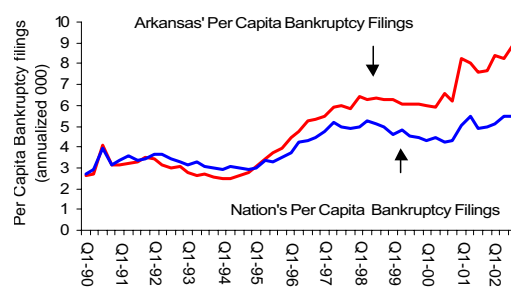
Source: Bureau of Labor Statistics

Table 1. Most Metro Areas Have Lower Unemployment Rates Than The State

MSA	Q4-01 (%)	Q4-02 (%)
Arkansas	5.4	5.1
Fayetteville	2.2	2.1
Ft. Smith	4.2	4.2
Jonesboro	4.3	3.8
Little Rock	4.0	3.8
Pine Bluff	7.2	7.5
Texarkana	4.3	4.8

Source: Bureau of Labor Statistics

Chart 2: Per Capita Bankruptcy Filings Are Higher in Arkansas Than in the Nation

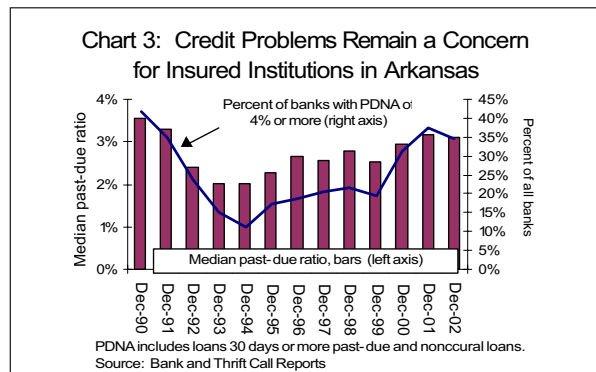


Source: U.S. Administrative Courts

¹ The most recent data available.

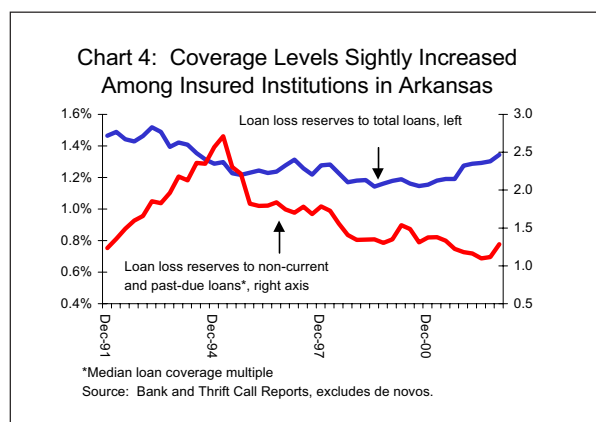
Asset Quality Remains an Ongoing Concern

- Insured institutions in Arkansas reported deteriorating credit quality with higher past-due and nonaccrual loan levels and rising loan loss rates in fourth quarter 2002. The median past due ratio among insured institutions in Arkansas was 3.1 percent in fourth quarter of 2002, virtually unchanged from one year ago and up from 2.8 percent the previous quarter.
- Additionally, the number of insured institutions with past-due loans at four percent or more of total loans represented over one-third of all banks in Arkansas at year-end 2002 (see **Chart 3**).



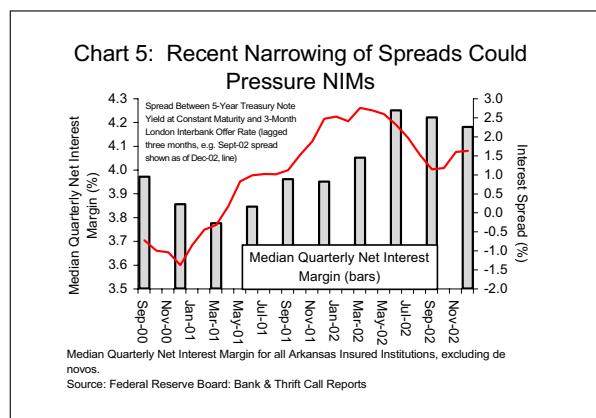
Coverage Levels Increased at Year-End 2002

- Insured institutions in Arkansas responded to rising delinquencies in 2002 by increasing allowance levels relative to total loans and past-due loans.
- Reserve levels equaled 1.34 percent of total loans in fourth quarter 2002, up from 1.27 percent one year ago. Coverage of nonperforming loans increased to 1.28 times, up from 1.18 during the same timeframe (see **Chart 4**) in spite of rising delinquency rates.



Favorable Interest Rates and Lower Provision Boost Returns

- Median net interest margins for insured institutions headquartered in Arkansas climbed to 4.18 percent in fourth quarter 2002, up from 3.95 percent one year ago (see **Chart 5**). The improvement is primarily attributed to the wide spread between short- and long-term interest rates. The margin improvement occurred across various institution types and sizes, as well as varied geographic locations.
- Median return on assets (ROA) rose to 1.07 percent in fourth quarter 2002, up from 1.02 percent one year ago. During 2002, lower provisions for loan losses contributed to the improvement in ROAs.



Arkansas at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	178	191	198	204	226
Total Assets (in thousands)	34,760,721	30,777,234	28,471,406	29,750,676	31,422,610
New Institutions (# < 3 years)	5	7	9	11	10
New Institutions (# < 9 years)	16	18	20	22	23
Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	9.36	9.37	9.40	9.42	9.47
Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	2.82%	2.76%	2.30%	2.18%	2.32%
Past-Due and Nonaccrual > = 5%	30	31	26	26	20
ALLL/Total Loans (median %)	1.30%	1.19%	1.13%	1.15%	1.15%
ALLL/Noncurrent Loans (median multiple)	1.14	1.26	1.31	1.34	1.42
Net Loan Losses/Loans (aggregate)	0.42%	0.35%	0.24%	0.21%	0.21%
Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	6	12	18	14	13
Percent Unprofitable	3.37%	6.28%	9.09%	6.86%	5.75%
Return on Assets (median %)	1.15	1.02	1.10	1.15	1.29
25th Percentile	0.87	0.69	0.71	0.81	1.02
Net Interest Margin (median %)	4.17%	3.83%	4.05%	4.03%	4.15%
Yield on Earning Assets (median)	6.79%	7.99%	8.07%	7.69%	8.12%
Cost of Funding Earning Assets (median)	2.59%	4.12%	4.10%	3.67%	3.88%
Provisions to Avg. Assets (median)	0.26%	0.20%	0.16%	0.17%	0.11%
Noninterest Income to Avg. Assets (median)	0.71%	0.71%	0.68%	0.65%	0.65%
Overhead to Avg. Assets (median)	2.71%	2.80%	2.73%	2.66%	2.57%
Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	76.27%	77.20%	76.07%	71.49%	70.82%
Loans to Assets (median %)	63.46%	64.76%	63.27%	59.91%	61.01%
Brokered Deposits (# of Institutions)	44	42	52	26	23
Bro. Deps./Assets (median for above inst.)	3.87%	3.42%	3.64%	1.84%	2.38%
Noncore Funding to Assets (median)	23.42%	23.28%	23.62%	21.28%	19.31%
Core Funding to Assets (median)	64.97%	65.46%	65.14%	67.70%	69.86%
Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	107	112	117	121	126
National	41	40	41	49	60
State Member	22	30	30	25	28
S&L	3	3	4	4	5
Savings Bank	5	6	6	5	7
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	131	16,827,464	73.60%	48.41%	
Little Rock-N Little Rock AR	18	4,819,960	10.11%	13.87%	
Fayetteville-Springdale-Rogers AR	12	7,106,720	6.74%	20.44%	
Ft Smith AR-OK	7	2,947,986	3.93%	8.48%	
Jonesboro AR	5	1,607,981	2.81%	4.63%	
Pine Bluff AR	3	1,222,000	1.69%	3.52%	
Memphis TN-AR-MS	2	228,610	1.12%	0.66%	